



## THE CITY OF SAN DIEGO

DATE: May 14, 2010

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor Activity Report – April 2010**

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This report provides information on the activities and accomplishments of the Office of the City Auditor for the month of April 2010. It includes the audit reports issued and other accomplishments during this period, the status of current audit projects and activities, and a summary of planned audits that we have not yet started.

### **Audit Reports and Accomplishments:**

- April 1, 2010 – To assist the City Council in their review of the updated San Diego Data Processing Corporation's Master Service Agreement (MSA), we conducted a follow-up review to determine if our prior recommendations had been implemented and incorporated as appropriate into the updated MSA. This follow-up memo can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/memo\\_pdf/sddpc\\_follow-up\\_memo.pdf](http://www.sandiego.gov/auditor/reports/memo_pdf/sddpc_follow-up_memo.pdf)
- April 7, 2010 – At the request of the Audit Committee, we issued a memo discussing an option for an audit firm to review the goals of the Bid to Goal program to help ensure the goals are reasonable and challenging. This memo can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/memo\\_pdf/oca\\_b2g\\_memo.pdf](http://www.sandiego.gov/auditor/reports/memo_pdf/oca_b2g_memo.pdf)
- April 7, 2010 – Issued the City Auditor's Quarterly Fraud Hotline Report for the Third Quarter of Fiscal Year 2010. The report can be found on our website at: [http://www.sandiego.gov/auditor/reports/hotline\\_pdf/hotline\\_q3\\_fy10\\_update.pdf](http://www.sandiego.gov/auditor/reports/hotline_pdf/hotline_q3_fy10_update.pdf)
- April 9, 2010 – Issued a supplemental report to the Quarterly Fraud Hotline Report for the Third Quarter of Fiscal Year 2010 regarding complaints that were referred to City Departments for investigation that were determined to be substantiated or corrective actions were taken. The report can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/hotline\\_pdf/hotline\\_q3\\_fy10\\_update\\_suplmt.pdf](http://www.sandiego.gov/auditor/reports/hotline_pdf/hotline_q3_fy10_update_suplmt.pdf)

**Audit Reports and Accomplishments (Continued):**

- April 12, 2010 – Presented to the Audit Committee the City Auditor's Accomplishments Report. The presentation can be found on our website at: [http://www.sandiego.gov/auditor/reports/memo\\_pdf/4-12-10\\_accomp\\_pres.pdf](http://www.sandiego.gov/auditor/reports/memo_pdf/4-12-10_accomp_pres.pdf)
- April 12, 2010 – Presented to the Audit Committee a Fraud Hotline Update for the period January to March 2010. The presentation can be found on our website at: [http://www.sandiego.gov/auditor/reports/memo\\_pdf/hotline\\_presentation\\_qtr3\\_fy10.pdf](http://www.sandiego.gov/auditor/reports/memo_pdf/hotline_presentation_qtr3_fy10.pdf)
- April 12, 2010 – Presented to the Audit Committee an option for an audit firm to review the goals of the Bid to Goal program. The presentation can be found on our website at: [http://www.sandiego.gov/auditor/reports/memo\\_pdf/4-12-10\\_OCA\\_b2g\\_gainsharing\\_pres.pdf](http://www.sandiego.gov/auditor/reports/memo_pdf/4-12-10_OCA_b2g_gainsharing_pres.pdf)
- April 29, 2010 – Issued the City Auditor's Office first Recommendation Follow-Up Report which provides the status of open recommendations as of March 12, 2010. Of the 361 outstanding recommendations, 89 recommendations were implemented. We will continue reporting on open recommendations semiannually for periods ending June 30th and December 31st. The report can be found on our website at: <http://www.sandiego.gov/auditor/reports/pdf/recommendations.pdf>
- April 30, 2010 – Issued our Performance Audit of the Subcontractor Outreach Program. We found that program management and reporting could be enhanced. We made 13 recommendations to improve the program. The audit report can be found on our website at: [http://www.sandiego.gov/auditor/reports/audit\\_pdf/10-019.pdf](http://www.sandiego.gov/auditor/reports/audit_pdf/10-019.pdf)

**Current Audits and Activities:**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>	<b>Audit Hours Used</b>	<b>Budgeted Hours</b>
<b>Audit of Development Services' Process for the Collection of Public Utilities Fees</b>	The objective of this audit is to determine if Development Services has adequate procedures in place to ensure the proper collection of Public Utilities fees. A draft report was provided to management for review on March 18 and the exit conference was held on April 9. As a result of documentation provided at the exit meeting, additional fieldwork was required.	May 2010	1,114	880
<b>Enterprise Resource Planning (ERP) System Implementation Review</b>	The objectives of this audit are: (a) determine if the City's key financial activities were adequately reviewed and documented prior to the new system implementation to ensure key financial processes are properly addressed by the new system (b) determine if the system was adequately tested prior to implementation and (c) review high risk interfaced and impacted systems post SAP go-live. Audit fieldwork is in progress. One report has already been issued during this audit.	June 2010	2,687	3,207

**Current Audits and Activities (Continued):**

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
<b>General Services - Streets Division Roadways Audit (Part I &amp; II)</b>	The objective of this audit is to determine if City streets are being efficiently and effectively maintained by the City. Audit fieldwork is in progress. We issued a report on Part I, and we plan to issue one additional report. We combined work scheduled for a third report into the CIP audit to eliminate duplication of effort. Our preliminary testing uncovered risks which required additional audit testing. As a result, this audit will exceed the budgeted hours allocated to this project.	Part II June 2010	2,317	1,374
<b>Close-out Audits</b>	Close-out audits are required by City Charter, Article VII, Section 111 when a City Official leaves office. The primary audit objectives are to verify that there are no outstanding debts owed by the City Official to the City, and to ensure that access to critical information and processes has been revoked. We are currently conducting close-out audits for Nader Tirandazi, former Financial Management Director, and Jim Barrett, former Public Utilities Director. We have used 21 hours on these audits, and 117 hours on three previous close-out audits, for a total of 138 hours used this fiscal year.	June 2010	138	240

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>	<b>Audit Hours Used</b>	<b>Budgeted Hours</b>
<b>City Treasurer - Delinquent Account Collections Audit</b>	The objective of this audit is to determine if overdue accounts due to the City are being properly noticed, collected, accounted for, and accurately reported in the City's financial statements. We issued a report on December 2, 2009 regarding Development Services Department's lack of referrals to City Treasurer for collection efforts. Audit fieldwork for a second and final report is in progress.	June 2010	621	621
<b>Fire Rescue – Fire Prevention Audit</b>	The objective of this audit is to assess the efficiency and effectiveness of the City's fire prevention program. Audit fieldwork is in progress.	June 2010	562	920
<b>Risk Management – Public Liability and Loss Recovery Audit</b>	The objective of this audit is to determine if public liability and loss recovery is being properly handled, accounted for and accurately reported. Audit fieldwork is in progress.	June 2010	841	880
<b>Engineering and Capital Projects – CIP Audit</b>	The objective of this audit is to evaluate the efficiency and effectiveness of Engineering and Capital Projects' administration of CIP projects. Audit fieldwork is in progress.	Part I June 2010	994	1,880

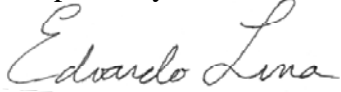
**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>	<b>Audit Hours Used</b>	<b>Budgeted Hours</b>
<b>Fraud, Waste and Abuse Hotline</b>	We review and administer the City's Hotline calls that are received. Investigations are performed by the Office of the City Auditor for accusations of material fraud, waste or abuse, and we issue Hotline reports on fraud related allegations that are substantiated. During the month of April, there were 11 new Hotline calls received.	On-going	1,107  (Fiscal Year 2010 Hours)	1,660  (Fiscal Year 2010 Hours)
<b>Follow-up on Audit Report Recommendations</b>	We have created a database to track all of our audit recommendations made since FY08. We provided our database to City Comptroller staff for follow-up. Comptroller staff contacts those responsible for implementing our recommendations and provides status data to the City Auditor on all recommendations. We then verify if recommendations have actually been implemented. Our next semi-annual follow-up report will be issued in August 2010.	On-going	464	600

**Planned FY10 Audits Not Yet Started:**

<b>Planned Audit</b>	<b>Estimated Audit Hours</b>
<b>City Treasurer – Parking Administration Audit</b>	640
<b>Police Department – Fiscal Services (Animal Services Contract) Audit</b>	600
<b>City Comptroller / Personnel Department – Payroll Audit</b>	1,280
<b>Risk Management – Workers’ Compensation Audit</b>	1,200
<b>Annual Central Stores Inventory Audit FY10</b>	45

Respectfully Submitted,



Eduardo Luna  
City Auditor

cc: Honorable Mayor Jerry Sanders  
Honorable City Council Members  
Jay M. Goldstone, Chief Operating Officer  
Wally Hill, Assistant Chief Operating Officer  
Mary Lewis, Chief Financial Officer  
Ken Whitfield, City Comptroller  
Jan Goldsmith, City Attorney  
Andrea Tevlin, Independent Budget Analyst